

Janesville Consolidated School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

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Janesville Consolidated School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2003 Election)

Craig Smith	President	2004
Sandi Carroll	Vice President	2004
Robert Gifford	Board Member	2005
Ron Henry	Board Member	2003
Barbara Reid	Board Member	2005

Board of Education

(After September 2003 Election)

Craig Smith	President	2004
Sandi Carroll	Vice President	2004
Ron Henry	Board Member	2006
Robert Gifford *	Board Member	2005
Barbara Reid	Board Member	2005
Vicki Hunemiller *	Board Member	2004

School Officials

Stan Slessor	Superintendent	2004
Susan McClure	District Secretary/Treasurer and Business Manager	2004
Steven A. Weidner	Attorney	2004

* Robert Gifford resigned effective March 1, 2004. Vicki Hunemiller was appointed as his replacement.

Independent Auditor's Report

To the Board of Education of
Janesville Consolidated School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Janesville Consolidated School District, Janesville, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Janesville Consolidated School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Janesville Consolidated School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated September 15, 2004 on my consideration of Janesville Consolidated School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Janesville Consolidated School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box.

Keith Oltrogge
Certified Public Accountant

September 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Janesville Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,556,036 in fiscal 2003 to \$2,596,529 in fiscal 2004, while General Fund expenditures increased from \$2,346,179 in fiscal 2003 to \$2,582,850 in fiscal 2004. The District's General Fund balance increased from \$402,380 in fiscal 2003 to \$416,059 in fiscal 2004, a 3% increase.
- The District experienced a slight gain in enrollment. The September 2002 enrollment was 348.2, while the September 2003 enrollment was 357.3.
- The number net open-enrolled students increased from 65.8 in FY 2002 to 66.8 in FY 2003. This, of course, has a positive impact on the District.
- The Janesville Consolidated School shared Superintendent Stan Slessor with Waverly-Shell Rock School District. This has allowed for some cost savings.
- The number of full-time equivalent employees has been reduced slightly, where possible, to help deal with the tight budget.
- The District has cut back on employee travel, student field trips, assistant coaches, one spring play, and summer band in light of the tight budget.
- In February 2004, Bremer County passed the 1% Local Option Sales and Services (SILO) Tax, which will increase revenue beginning September 2004.
- The District completed the telephone/intercom upgrade project in 2004. The East Wing, preschool and elementary/high school were carpeted in June of 2004. The District also purchased 42 new Dell computers with Windows XP Professional software for faculty, staff and students.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Janesville Consolidated School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Janesville Consolidated School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Janesville Consolidated School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Janesville Consolidated School District Annual Financial Report

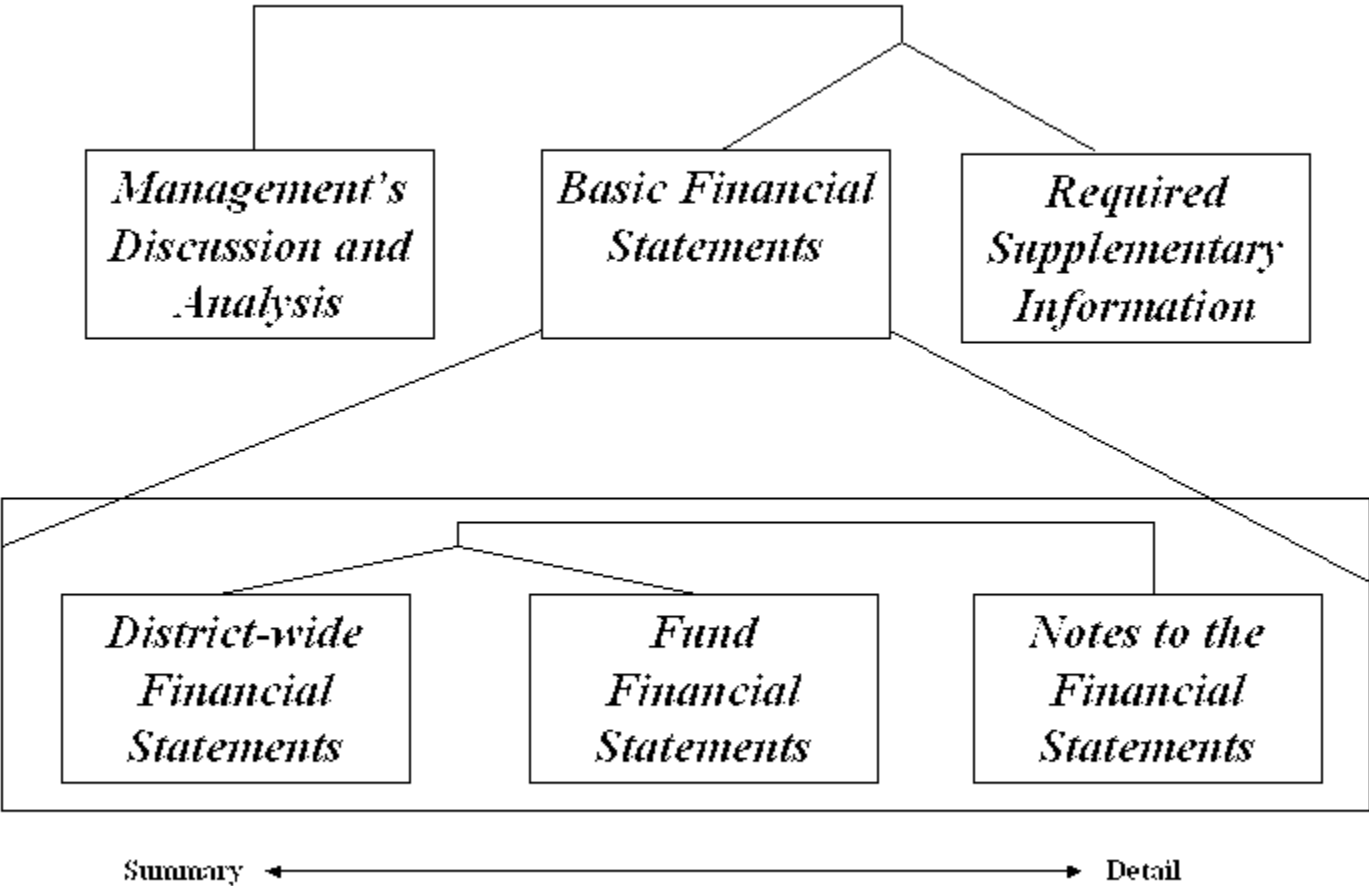


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and Childhood Development program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Childhood Development Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$2,958,638	\$2,775,608	\$20,795	\$28,354	\$2,979,433	\$2,803,962	\$175,471
Capital assets	681,251	709,783	1,695	2,181	682,946	711,964	-29,018
Total assets	\$3,639,889	\$3,485,391	\$22,490	\$30,535	\$3,662,379	\$3,515,926	\$146,453
Long-term liabilities	\$40,284	\$59,134	\$-	\$-	\$40,284	\$59,134	-\$18,850
Other liabilities	2,098,505	1,992,207	23,155	27,577	2,121,660	2,019,784	101,876
Total liabilities	\$2,138,789	\$2,051,341	\$23,155	\$27,577	\$2,161,944	\$2,078,918	\$83,026
Net assets:							
Invested in capital assets, net of related debt	\$640,967	\$650,649	\$1,695	\$2,181	\$642,662	\$652,830	-\$10,168
Restricted	497,446	392,091	-	-	497,446	392,091	105,355
Unrestricted	362,687	391,310	-2,360	777	360,327	392,087	-31,760
Total net assets	\$1,501,100	\$1,434,050	-\$665	\$2,958	\$1,500,435	\$1,437,008	\$63,427

The District's combined net assets increased by nearly 4%, or approximately \$63,000, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$105,000, or 21% over the prior year. The increase was primarily a result of increased revenue in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$32,000, or 8%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$370,639	\$121,235	\$491,874
Operating grants, contributions and restricted interest	291,500	32,604	324,104
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,046,516	-	1,046,516
Local option sales and service tax	139,432	-	139,432
Unrestricted state grants	1,102,989	-	1,102,989
Unrestricted investment earnings	2,999	55	3,054
Total revenues	\$2,954,075	\$153,894	\$3,107,969
Program expenses:			
Governmental activities:			
Instruction	\$1,959,758	\$-	\$1,959,758
Support services	683,529	-	683,529
Non-instructional programs	43,872	157,517	201,389
Other expenses	199,866	-	199,866
Total expenses	\$2,887,025	\$157,517	\$3,044,542
Change in net assets	\$67,050	-\$3,623	\$63,427

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,954,075 and expenses were \$2,887,025. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	Figure A-5 Total and Net Cost of Governmental Activities	
	Total Cost of Services	Net Cost of Services
Instruction	\$1,959,758	\$1,449,068
Support Services	683,529	630,124
Non-instructional programs	43,872	43,872
Other expenses	199,866	101,822
Totals	\$2,887,025	\$2,224,886

- The cost financed by users of the District's programs was \$491,874.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$324,104.
- The net cost of governmental activities was financed with \$1,046,516 in property and other taxes and \$1,102,989 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$153,895 and expenses were \$157,517. The District's business type activities include the School Nutrition Fund and the Childhood Development Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Janesville Consolidated School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$861,688, well above last year's ending fund balances of \$785,683.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$402,380 to \$416,059, due in part to the increase in enrollment, the shared superintendent, and the overall reduction in expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$31,496 in fiscal 2003 to \$45,511 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund.
- The Capital Projects Fund balance increased due to the increase in revenues from the local option sales tax. The District ended fiscal 2003 with a balance of \$291,866. Fiscal 2004 ended with a balance of \$341,372.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$24,750 at June 30, 2003 to \$21,971 at June 30, 2004, representing a decrease of approximately 11%.
- Childhood Development Fund net assets decreased from -\$21,792 at June 30, 2003 to -\$22,636 at June 30, 2004, representing a decrease of approximately 4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Janesville Consolidated School District amended its annual budget one time to reflect additional expenditures associated with insurance costs and class sharing costs.

The District's receipts were \$97,358 more than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving more in grants than originally anticipated.

The Districts total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$56,358.

The original cost of the District's capital assets was \$3.038 million. Governmental funds account for \$3.032 million, with the remainder of \$0.005 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in the capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,416,094 at June 30, 2004, compared to \$1,488,268 reported at June 30, 2003. This decrease resulted from the disposal of two old buses.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$18,751	\$18,751	\$-	\$-	\$18,751	\$18,751	\$-
Buildings	566,050	597,215	-	-	566,050	597,215	-31,165
Improvements other than buildings	3,124	3,768	-	-	3,124	3,768	-644
Furniture and equipment	93,326	90,049	1,695	2,181	95,021	92,230	2,791
Totals	\$681,251	\$709,783	\$1,695	\$2,181	\$682,946	\$711,964	-\$29,018

Long-Term Debt

At June 30, 2004, the District had \$40,284 in long-term debt outstanding. This represents a decrease of approximately 32% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
Notes payable	\$40,284	\$59,134	-\$18,850

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Instructional Support Levy was passed in September 2002 and money will begin to be received by the District in September 2004.
- The District levied a cash reserve levy of \$72,997 budget guarantee for fiscal year 2004.
- The District's employee group health insurance increased by 43.6% for fiscal year 2004.
- The state has now completely abandoned Phase III funding to schools for teacher staff development and curriculum work.
- Iowa's public schools were notified in October 2003 that the state would make an immediate 2.5% across-the-board reduction in funding for the 2004 fiscal year.
- Un-funded mandates such as "No Child Left Behind" and "GASB34" are making it very difficult for schools to keep adequate staffing and provide the necessary instructional materials.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan McClure, School Business Manager, Janesville Consolidated School, 505 Barrick Road, Janesville IA 50647.

Basic Financial Statements

Janesville Consolidated School District

Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 888,095	\$ -	\$ 888,095
Other	1,004,373	12,891	1,017,264
Receivables:			
Property tax:			
Delinquent	7,250	-	7,250
Succeeding year	983,576	-	983,576
Accounts	3,430	-	3,430
Accrued interest:			
ISCAP	2,016	-	2,016
Due from other funds	15,954	-	15,954
Due from other governments	34,968	-	34,968
Inventories	-	7,904	7,904
Prepaid expenses	18,976	-	18,976
Capital assets, net of accumulated depreciation	681,251	1,695	682,946
Total Assets	\$ 3,639,889	\$ 22,490	\$ 3,662,379
Liabilities			
Excess of warrants over bank balance	\$ -	\$ 15,305	\$ 15,305
Accounts payable	22,610	-	22,610
Salaries and benefits payable	181,754	7,850	189,604
Due to other funds	15,954	-	15,954
Accrued interest payable	1,555	-	1,555
Deferred revenue-succeeding year property tax	983,576	-	983,576
ISCAP warrants payable	890,000	-	890,000
ISCAP accrued interest payable	3,056	-	3,056
Long-term liabilities:			
Portion due within one year:			
Note payable	19,699	-	19,699
Portion due after one year:			
Note payable	20,585	-	20,585
Total Liabilities	\$ 2,138,789	\$ 23,155	\$ 2,161,944
Net Assets			
Invested in capital assets, net of related debt	\$ 640,967	\$ 1,695	\$ 642,662
Restricted for:			
Management levy	2,262	-	2,262
Physical plant and equipment levy	45,511	-	45,511
Other special revenue purposes	449,673	-	449,673
Unrestricted	362,687	-2,360	360,327
Total Net Assets	\$ 1,501,100	\$ -665	\$ 1,500,435

See notes to financial statements.

Janesville Consolidated School District

Statement of Activities

Year Ended June 30, 2004

			Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Charges for Services		
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,560,898	\$ 158,895	\$ 157,125	\$ -
Special instruction	246,936	-	19,488	-
Other instruction	151,924	175,182	-	-
	<u>\$ 1,959,758</u>	<u>\$ 334,077</u>	<u>\$ 176,613</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 39,717	\$ -	\$ -	\$ -
Instructional staff services	42,363	-	-	-
Administration services	276,432	-	-	-
Operation and maintenance of plant services	209,719	56	15,496	-
Transportation services	115,298	36,506	1,347	-
	<u>\$ 683,529</u>	<u>\$ 36,562</u>	<u>\$ 16,843</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 43,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 99,243	\$ -	\$ -	\$ -
Long-term debt interest	1,934	-	-	-
AEA flow-through	98,044	-	98,044	-
Depreciation (unallocated) *	645	-	-	-
	<u>\$ 199,866</u>	<u>\$ -</u>	<u>\$ 98,044</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 2,887,025</u>	<u>\$ 370,639</u>	<u>\$ 291,500</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 93,124	\$ 57,686	\$ 32,604	\$ -
Childhood development	64,393	63,549	-	-
	<u>\$ 157,517</u>	<u>\$ 121,235</u>	<u>\$ 32,604</u>	<u>\$ -</u>
Total	<u>\$ 3,044,542</u>	<u>\$ 491,874</u>	<u>\$ 324,104</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,244,878	\$	-	\$ -1,244,878
	-227,448		-	-227,448
	23,258		-	23,258
\$	-1,449,068	\$	-	\$ -1,449,068
<hr/>				
\$	-39,717	\$	-	\$ -39,717
	-42,363		-	-42,363
	-276,432		-	-276,432
	-194,167		-	-194,167
	-77,445		-	-77,445
\$	-630,124	\$	-	\$ -630,124
<hr/>				
\$	-43,872	\$	-	\$ -43,872
<hr/>				
\$	-99,243	\$	-	\$ -99,243
	-1,934		-	-1,934
	-		-	-
	-645		-	-645
\$	-101,822	\$	-	\$ -101,822
<hr/>				
\$	-2,224,886	\$	-	\$ -2,224,886
<hr/>				
\$	-	\$	-2,834	\$ -2,834
	-		-844	-844
\$	-	\$	-3,678	\$ -3,678
<hr/>				
\$	-2,224,886	\$	-3,678	\$ -2,228,564

Janesville Consolidated School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Total General Revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,023,271	\$ -	\$ 1,023,271
-	-	-
23,245	-	23,245
139,432	-	139,432
1,102,989	-	1,102,989
2,999	55	3,054
\$ 2,291,936	\$ 55	\$ 2,291,991
\$ 67,050	\$ -3,623	\$ 63,427
1,434,050	2,958	1,437,008
\$ 1,501,100	\$ -665	\$ 1,500,435

Janesville Consolidated School District

Balance Sheet
Governmental Funds

June 30, 2004

Assets	General	Capital Projects	Non-major Special Revenue	Total
Cash and Pooled Investments:				
ISCAP	\$ 888,095	\$ -	\$ -	\$ 888,095
Other	572,165	347,000	85,208	1,004,373
Receivables:				
Property Tax:				
Delinquent	6,506	-	744	7,250
Succeeding year	865,971	-	117,605	983,576
Accounts	1,312	-	2,118	3,430
Accrued Interest:				
ISCAP	2,016	-	-	2,016
Prepaid expenses	18,212	-	764	18,976
Due from other funds	458	-	15,496	15,954
Due from other governments	24,671	10,297	-	34,968
Total Assets	\$ 2,379,406	\$ 357,297	\$ 221,935	\$ 2,958,638
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 22,566	\$ -	\$ 44	\$ 22,610
Salaries and benefits payable	181,754	-	-	181,754
Due to other funds	-	15,925	29	15,954
ISCAP warrants payable	890,000	-	-	890,000
ISCAP accrued interest payable	3,056	-	-	3,056
Deferred Revenue:				
Succeeding year property tax	865,971	-	117,605	983,576
Total Liabilities	\$ 1,963,347	\$ 15,925	\$ 117,678	\$ 2,096,950
Fund Balances:				
Unreserved	\$ 416,059	\$ 341,372	\$ 104,257	\$ 861,688
Total Liabilities and Fund Balances	\$ 2,379,406	\$ 357,297	\$ 221,935	\$ 2,958,638

See notes to financial statements.

Janesville Consolidated School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 16)	\$ 861,688
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	681,251
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-1,555
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds	-40,284
Net assets of governmental activities (page 13)	<u>\$ 1,501,100</u>

Janesville Consolidated School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2004

	General	Capital Projects	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 957,283	\$ 139,432	\$ 89,233	\$ 1,185,948
Tuition	125,235	-	-	125,235
Other	135,187	964	112,283	248,434
Intermediate sources	-	-	-	-
State sources	1,291,506	-	15,634	1,307,140
Federal sources	87,318	-	-	87,318
Total Revenues	\$ 2,596,529	\$ 140,396	\$ 217,150	\$ 2,954,075
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,504,138	\$ -	\$ 42,725	\$ 1,546,863
Special instruction	241,735	-	-	241,735
Other instruction	49,388	-	102,536	151,924
	\$ 1,795,261	\$ -	\$ 145,261	\$ 1,940,522
Support Services:				
Student services	\$ 39,717	\$ -	\$ -	\$ 39,717
Instructional staff services	43,323	-	-	43,323
Administration services	276,388	-	-	276,388
Operation and maintenance of plant services	188,442	-	18,382	206,824
Transportation services	97,803	-	-	97,803
	\$ 645,673	\$ -	\$ 18,382	\$ 664,055
Non-instructional programs	\$ 43,872	\$ -	\$ -	\$ 43,872
Other Expenditures:				
Facilities acquisition	\$ -	\$ 90,890	\$ 19,176	\$ 110,066
Long-Term Debt:				
Principal	-	-	18,850	18,850
Interest and fiscal charges	-	-	2,661	2,661
AEA flow-through	98,044	-	-	98,044
	\$ 98,044	\$ 90,890	\$ 40,687	\$ 229,621
Total Expenditures	\$ 2,582,850	\$ 90,890	\$ 204,330	\$ 2,878,070
Excess of revenues over expenditures	\$ 13,679	\$ 49,506	\$ 12,820	\$ 76,005
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 37,311	\$ 37,311
Operating transfers out	-	-	-37,311	-37,311
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 13,679	\$ 49,506	\$ 12,820	\$ 76,005
Fund balances beginning of year, as restated (Note 11)	402,380	291,866	91,437	785,683
Fund Balances End of Year	\$ 416,059	\$ 341,372	\$ 104,257	\$ 861,688

See notes to financial statements.

Janesville Consolidated School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 18) \$ 76,005

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 27,826	
Depreciation expense	-56,358	-28,532

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

-

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -	
Repaid	18,850	18,850

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ -	
Compensated absences	-	-

Change in Net Assets of Governmental Activities (page 15) \$ 67,050

Janesville Consolidated School District

Statement of Net Assets
Proprietary Funds

June 30, 2004

Assets

Cash and cash equivalents	\$	12,891
Inventories		7,904
Capital assets, net of accumulated depreciation		1,695
Total Assets	\$	22,490

Liabilities

Excess of warrants over bank balance	\$	15,305
Salaries and benefits payable		7,850
Total Liabilities	\$	23,155

Net Assets

Invested in capital assets, net of related debt	\$	1,695
Unrestricted		-2,360
Total Net Assets	\$	-665

See notes to financial statements.

Janesville Consolidated School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
June 30, 2004

Operating revenues:	
Local sources:	
Charges for service	\$ 121,235
Operating expenses:	
Non-instructional programs:	
Operations:	
Salaries	\$ 88,394
Benefits	19,551
Supplies	49,086
Depreciation	486
Total operating expenses	<u>\$ 157,517</u>
Operating loss	<u>\$ -36,282</u>
Non-operating revenues:	
State sources	\$ 1,487
Federal sources	31,117
Interest income	55
Total non-operating revenues	<u>\$ 32,659</u>
Change in net assets	\$ -3,623
Net assets beginning of year	<u>2,958</u>
Net Assets End of Year	<u><u>\$ -665</u></u>

See notes to financial statements.

Janesville Consolidated School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2004

Cash flows from operating activities:	
Cash received from daycare fees	\$ 63,549
Cash received from sale of lunches and breakfasts	57,686
Cash paid to employees for services	-88,394
Cash paid to suppliers for goods or services	-61,634
Net cash used by operating activities	<u>\$ -28,793</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,487
Federal grants received	19,497
Net cash provided by non-capital financing activities	<u>\$ 20,984</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 55</u>
Net decrease in cash and cash equivalents	\$ -7,754
Cash and cash equivalents beginning of year	<u>20,645</u>
Cash and Cash Equivalents End of Year	<u>\$ 12,891</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -36,282
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	5,745
Depreciation	486
Decrease in inventories	5,680
Increase in excess of warrants over bank balance	204
(Decrease) in salaries and benefits payable	<u>-4,626</u>
Net Cash Used by Operating Activities	<u>\$ -28,793</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$11,620 of federal commodities.

See notes to financial statements.

Janesville Consolidated School District

**Statement of Fiduciary Net Assets
Fiduciary Fund**

June 30, 2004

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 182,043
Accrued interest receivable	<u>3,029</u>
Total assets	<u>\$ 185,072</u>
Liabilities	<u>\$ -</u>
Net Assets	
Reserved for scholarships	<u><u>\$ 185,072</u></u>

See notes to financial statements.

Janesville Consolidated School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 4,027
Deductions:	
Support services:	
Scholarships awarded	\$ 4,000
Change in net assets	\$ 27
Net assets beginning of year	<u>185,045</u>
Net Assets End of Year	<u>\$ 185,072</u>

See notes to financial statements.

Janesville Consolidated School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Janesville Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Janesville, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Janesville Consolidated School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Janesville Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Childhood Development Fund. These funds are used to account for the food service and daycare operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$175,047 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year-end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Due From and Due to Other funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 29
General	Capital Projects	429
		<u>\$ 458</u>
Special Revenue:	Special Revenue:	
Physical Plant and Equipment Levy	Capital Projects	\$ 15,496
Total		<u>\$ 15,954</u>

The Physical Plant and Equipment Levy Fund is repaying the Capital Projects Fund for equipment purchased. The Capital Projects Fund is repaying the General Fund for equipment purchased. The Physical Plant and Equipment Levy Fund is repaying the General Fund for property tax that was incorrectly recorded in the prior year. The balance will be repaid by June 30, 2005.

(4) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Physical Plant and Equipment Levy	Activity	\$ 15,800
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	<u>21,511</u>
Total		<u>\$ 37,311</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-2004B	1/30/04	1/28/05	\$ 370,506	\$ 2,016	\$ 368,000	\$ 3,056
2004-2005A	6/30/04	6/30/05	517,589	-	522,000	-
Total			\$ 888,095	\$ 2,016	\$ 890,000	\$ 3,056

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning Of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ -	\$ 75,000	\$ 75,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.00%	1.392%
2004-05A	3.00%	2.463%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 11)	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 18,751	\$ -	\$ -	\$ 18,751
Construction in progress	-	-	-	-
Total capital assets not being depreciated	\$ 18,751	\$ -	\$ -	\$ 18,751
Capital assets being depreciated:				
Buildings	\$ 1,405,803	\$ -	\$ -	\$ 1,405,803
Improvements other than buildings	192,032	-	-	192,032
Furniture and equipment	1,488,268	27,826	100,000	1,416,094
Total capital assets being depreciated	\$ 3,086,103	\$ 27,826	\$ 100,000	\$ 3,013,929
Less accumulated depreciation for:				
Buildings	\$ 808,588	\$ 31,165	\$ -	\$ 839,753
Improvements other than buildings	188,264	644	-	188,908
Furniture and equipment	1,398,219	24,549	100,000	1,322,768
Total accumulated depreciation	\$ 2,395,071	\$ 56,358	\$ 100,000	\$ 2,351,429
Total capital assets being depreciated, net	\$ 691,032	\$ -28,532	\$ -	\$ 662,500
Governmental Activities Capital Assets, Net	\$ 709,783	\$ -28,532	\$ -	\$ 681,251
Business type activities:				
Furniture and equipment	\$ 5,833	\$ -	\$ -	\$ 5,833
Less accumulated depreciation	3,652	486	-	4,138
Business Type Activities Capital Assets, Net	\$ 2,181	\$ -486	\$ -	\$ 1,695
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular			\$	28,825
Special				5,201
Other				-
Support services:				
Instructional staff				-
Administration				1,297
Operation and maintenance of plant				2,895
Transportation				17,495
			\$	55,713
Unallocated				645
Total Depreciation Expense – Governmental Activities			\$	56,358
Business Type Activities:				
Food service operations			\$	486

(7) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Note payable	\$ 59,134	\$ -	\$ 18,850	\$ 40,284	\$ 19,699

Bus Loan

The District purchased two Blue Bird School Buses in August of 2001 for \$107,557. \$21,511 was paid as a down payment, leaving \$86,046 to be paid over the next four years. Repayment is as follows:

Due Date	Principal	Implicit Interest	Total
8-21-04	\$ 19,699	\$ 1,813	\$ 21,512
8-21-05	20,585	926	21,511
Total	\$ 40,284	\$ 2,739	\$ 43,023

During the year ended June 30, 2004, the District made principal and interest payments totaling \$21,511 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$68,651, \$65,970 and \$80,490, respectively, equal to the required contributions for each year.

(9) Risk Management

Janesville Consolidated School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$98,044 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) **Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			
	General	Capital Projects	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 402,380	\$ 291,866	\$ 91,437	\$ 785,683
GASB Interpretation 6 adjustments	-	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	<u>\$ 402,380</u>	<u>\$ 291,866</u>	<u>\$ 91,437</u>	<u>\$ 785,683</u>
GASB 34 Adjustments:				
Capital assets, net of accumulated depreciation of \$2,395,071				709,783
Long-Term Liabilities:				
Bonds and notes				-59,134
Accrued interest payable				-2,282
Net Assets July 1, 2003, as Restated				<u>\$ 1,434,050</u>

Required Supplementary Information

Janesville Consolidated School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 1,559,617	\$ 121,290
Intermediate sources	-	-
State sources	1,307,140	1,487
Federal sources	87,318	31,117
Total Receipts	<u>\$ 2,954,075</u>	<u>\$ 153,894</u>
Disbursements:		
Instruction	\$ 1,940,522	\$ -
Support services	664,055	-
Non-instructional programs	43,872	157,517
Other expenditures	229,621	-
Total Disbursements	<u>\$ 2,878,070</u>	<u>\$ 157,517</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 76,005	\$ -3,623
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 76,005	\$ -3,623
Balances beginning of year	<u>785,683</u>	<u>2,958</u>
Balances End of Year	<u><u>\$ 861,688</u></u>	<u><u>\$ -665</u></u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Original	Amounts Final		Final To Actual Variance
\$	1,680,907	\$	1,580,993	\$	1,580,993	\$ 99,914
	-		-		-	-
	1,308,627		1,312,720		1,312,720	-4,093
	118,435		116,898		116,898	1,537
\$	3,107,969	\$	3,010,611	\$	3,010,611	\$ 97,358
<hr/>						
\$	1,940,522	\$	1,803,717	\$	1,940,717	\$ 195
	664,055		761,008		825,338	161,283
	201,389		119,314		160,192	-41,197
	229,621		426,306		426,306	196,685
\$	3,035,587	\$	3,110,345	\$	3,352,553	\$ 316,966
<hr/>						
\$	72,382	\$	-99,734	\$	-341,942	\$ 414,324
	-		-		-	-
<hr/>						
\$	72,382	\$	-99,734	\$	-341,942	\$ 414,324
	788,641		725,273		725,273	63,368
<hr/>						
\$	861,023	\$	625,539	\$	383,331	\$ 477,692
<hr/>						

Janesville Consolidated School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis of accounting.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$242,208.

During the year ended June 30, 2004, disbursements in the non-instructional programs function exceeded the amount budgeted.

Other Supplementary Information

Janesville Consolidated School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2004

	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ -	\$ 948	\$ 54,410	\$ 29,850	\$ 85,208
Receivables:					
Property Tax:					
Delinquent	-	550	-	194	744
Succeeding year	-	70,084	-	47,521	117,605
Accounts	-	-	2,118	-	2,118
Inter-fund receivable	-	-	-	15,496	15,496
Prepaid expenses	-	764	-	-	764
Total Assets	\$ -	\$ 72,346	\$ 56,528	\$ 93,061	\$ 221,935
Liabilities & Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 44	\$ -	\$ 44
Inter-fund payable	-	-	-	29	29
Deferred Revenue:					
Succeeding year property tax	-	70,084	-	47,521	117,605
Total Liabilities	\$ -	\$ 70,084	\$ 44	\$ 47,550	\$ 117,678
Fund Equity:					
Unreserved fund balances	\$ -	\$ 2,262	\$ 56,484	\$ 45,511	\$ 104,257
Total Liabilities & Fund Equity	\$ -	\$ 72,346	\$ 56,528	\$ 93,061	\$ 221,935

See accompanying independent auditor's report.

Janesville Consolidated School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2004

	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:					
Local Sources:					
Local tax	\$ -	\$ 65,988	\$ -	\$ 23,245	\$ 89,233
Other	-	-	112,158	125	112,283
State sources	-	102	-	15,532	15,634
Total Revenues	\$ -	\$ 66,090	\$ 112,158	\$ 38,902	\$ 217,150
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ -	\$ 42,725	\$ -	\$ -	\$ 42,725
Other instruction	-	-	102,536	-	102,536
Support Services:					
Operation and maintenance of plant services	-	18,382	-	-	18,382
Other Expenditures:					
Facilities acquisition	-	-	-	19,176	19,176
Long-term debt:					
Principal	18,850	-	-	-	18,850
Interest	2,661	-	-	-	2,661
Total Expenditures	\$ 21,511	\$ 61,107	\$ 102,536	\$ 19,176	\$ 204,330
Excess (deficiency) of revenues over (under) expenditures	\$ -21,511	\$ 4,983	\$ 9,622	\$ 19,726	\$ 12,820
Other Financing Sources (Uses):					
Operating transfers in	\$ 21,511	\$ -	\$ -	\$ 15,800	\$ 37,311
Operating transfer out	-	-	-15,800	-21,511	-37,311
Total Other Financing Sources (Uses)	\$ 21,511	\$ -	\$ -15,800	\$ -5,711	\$ -
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -	\$ 4,983	\$ -6,178	\$ 14,015	\$ 12,820
Fund balances beginning of year, as restated	-	-2,721	62,662	31,496	91,437
Fund Balances End of Year	\$ -	\$ 2,262	\$ 56,484	\$ 45,511	\$ 104,257

See accompanying independent auditor's report.

Janesville Consolidated School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Book Fair	\$ 2,658	\$ 600	\$ 1,454	\$ -	\$ 1,804
7-12 Secondary Account	760	1,169	1,484	-	445
Graduated Classes	2,269	1,337	401	-	3,205
12 th Grade	1,271	2,472	2,358	-	1,385
11 th Grade	405	3,640	3,739	-	306
10 th Grade	90	701	791	-	-
9 th Grade	-	57	57	-	-
Choir/Band Trip	-	29,853	14,419	-	15,434
High School Student Council	726	244	17	-	953
Cheerleaders-Varsity	62	-	-	-	62
Athletics	8,716	15,888	20,646	-	3,958
Drama/Music	2,391	2,103	1,749	-	2,745
Home Economics	410	-	-	-	410
Pop Machine	6,069	6,916	4,845	-	8,140
Revolving	-	6,862	6,684	109	287
Interest	6,453	185	5,270	-109	1,259
Softball Complex	47	505	-	-	552
Playground Equipment	10,675	5,648	90	-15,800	433
Publications	1,465	8,060	8,176	-	1,349
Band Resale	132	20	-	-	152
Honor Society	425	471	513	-	383
Baseball	-	207	207	-	-
Junior High Student Council	283	-	-	-	283
Art Fund	-	1,098	699	-	399
Elementary Student Council	55	20	75	-	-
6 th Grade	103	-	-	-	103
Boys' Basketball	1,157	-	876	-	281
Football	435	-	-	-	435
Boys' Track	140	-	-	-	140
Wrestling	246	-	-	-	246
Girls' Basketball	801	-	-	-	801
Volleyball	4,172	790	1,387	-	3,575
Girls' Track	217	727	728	-	216
Textbooks-Other	-	8,786	8,746	-	40
Junior High Cheerleaders	46	-	-	-	46
Swing Choir	3,083	6,669	9,311	-	441
Elementary Activities	1,487	6,089	5,337	-	2,239
Miscellaneous	2,756	263	1,658	-	1,361
Spanish Club	2,011	557	560	-	2,008
Technology Fund	646	221	259	-	608
Total	\$ 62,662	\$ 112,158	\$ 102,536	\$ -15,800	\$ 56,484

See accompanying independent auditor's report.

Janesville Consolidated School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 1,185,948	\$ 1,065,719	\$ 1,009,408
Tuition	125,235	175,207	125,367
Other	248,434	208,166	159,895
Intermediate sources	-	-	-
State sources	1,307,140	1,369,317	1,343,123
Federal sources	87,318	100,202	64,216
Total	<u>\$ 2,954,075</u>	<u>\$ 2,918,611</u>	<u>\$ 2,702,009</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 1,546,863	\$ 1,427,696	\$ 1,403,261
Special instruction	241,735	221,302	215,273
Other instruction	151,924	172,634	221,892
Support services:			
Student services	39,717	37,307	38,767
Instructional staff services	43,323	42,549	41,238
Administrative services	276,388	268,452	327,023
Operation and maintenance of plant services	206,824	198,105	192,909
Transportation services	97,803	86,050	77,077
Central support services	-	1,528	-
Non-instructional programs	43,872	-	-
Other expenditures:			
Facilities acquisition	110,066	153,300	9,275
Long-term debt:			
Principal	18,850	27,839	30,817
Interest and other charges	2,661	3,994	1,016
AEA flow-through	98,044	105,861	109,029
Total	<u>\$ 2,878,070</u>	<u>\$ 2,746,617</u>	<u>\$ 2,667,577</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Janesville Consolidated School District:

I have audited the financial statements of Janesville Consolidated School District as of and for the year ended June 30, 2004, and have issued my report thereon dated September 15, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Janesville Consolidated School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item II-A-04 and II-B-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Janesville Consolidated School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Janesville Consolidated School District and other parties to whom Janesville Consolidated School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Janesville Consolidated School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read "Keith Oltrogge".

Keith Oltrogge
Certified Public Accountant

September 15, 2004

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2004

Part I – Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2004

Part II - Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official Depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2004.

Recommendation – A new depository resolution needs to be approved with an amount sufficient to cover the deposits.

Response – We will approve a new depository resolution.

Conclusion – Response accepted.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 exceeded the amended certified budget amounts in the non-instructional programs function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions were found that I believe should have been approved in the Board minutes but were not.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.